

WASHINGTON STATE DEPARTMENT OF REVENUE



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Wood stove retailer charged with tax evasion, violating clean air laws

SEATTLE, Wash., July 25, 2001 — The former owner of Stove Country, one of the largest wood stove retail outlets in the Puget Sound region, was charged today with 57 counts of tax evasion and violating Washington's clean air laws.

The King County Prosecutor's Office and the Washington State Attorney General's Office charged Richard A. McFadden, 57, with theft of retail sales tax, filing false and fraudulent state tax returns, selling used wood stoves that didn't meet state clean air standards, and failing to collect solid fuel burning device fees.

The felony retail sales tax theft charges alone carry a maximum penalty of ten years in jail and a \$20,000 fine, plus costs, restitution and assessments.

The prosecutors brought the charges at the request of the Criminal Justice Division of the Attorney General's Office, which conducted an investigation in conjunction with the Department of Revenue and Department of Ecology.

According to charging papers, a Department of Revenue analysis of records seized through search warrants determined that McFadden reported less than one third of his approximately \$1 million per year in sales from January 1996 through August 2000. This underreporting allowed him to evade the payment of \$266,474 in retail sales tax that he had collected on those sales over that period. Sales taxes are trust funds collected by retailers on behalf of state and local government and are never the property of the retailer.

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The prosecutor also charged McFadden with knowingly violating the Washington Clean Air Act by selling uncertified used wood stoves that generate up to nine times more pollution than approved stoves. Wood stoves and fireplaces are significant sources of air pollution in residential areas during the heating season. Washington has stringent certification standards for new wood stoves and fireplaces. Only stoves and fireplaces that meet these standards may be sold, given away or installed.

An undercover investigator with the criminal division of the Department of Ecology visited the Stove Country store in Auburn and posed as a prospective customer who was interested in used wood stoves, according to the charging papers. McFadden told the investigator that he had used wood stoves that he took in as trade-ins that were illegal for him to sell "because the EPA was trying to get the dirty ones off the market." Nonetheless, McFadden allegedly told the investigator that if she paid cash, he would sell her a used stove "off the books" so she could avoid paying sales tax on the transaction.

Based on that information, two criminal search warrants were obtained and executed with the assistance of agents from Ecology/EPA Environmental Crimes Task Force, Attorney General's Office, and the King County Sheriff's Office.

McFadden also is accused of failing to collect the \$30 solid fuel burning device fee on 137 of the new and used wood stoves and fireplace inserts he sold between August 1, 1999 and August 31, 2000, and failing to remit to the Department of Revenue all the fees he did collect. The fees fund a wood stove education and enforcement account.

Ecology earlier ordered McFadden to stop selling non-certified stoves and to remove any that remained at the store. He complied by scrapping the non-certified stoves at his store.

The Criminal Justice Division of the Attorney General's Office investigates tax-related crimes for the Department of Revenue. Its principal investigator is Darryl Roosendaal, (206) 464-6430.

Ecology's Criminal Investigations Unit investigates all environmental crimes in the State of Washington and can be reached at (206) 553-6311.

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